



U.S.-Korea Trade Agreement What's At Stake for Corn?

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The U.S.-Korea Trade Agreement (KORUS agreement) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's \$1 trillion economy and 49 million consumers. Under the agreement, nearly two-thirds of current U.S. agricultural exports will become duty free immediately and lower tariffs will benefit both U.S. suppliers and Korean consumers.

The KORUS agreement will help the United States compete against Korea's other major agriculture suppliers and keep the United States on a level playing field with Korea's current and future free trade partners. Korea finalized its trade agreement with the European Union (EU) in October 2009 and presently has trade agreements in place with Chile, India, and the 10-country ASEAN group. In addition, the country is negotiating new trade agreements with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors.

If the United States fails to implement the KORUS agreement, it will likely see its share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, steadily erode.

With the Agreement...

Korea's imports of U.S. corn for feed are guaranteed to enter at zero duty immediately. Korea currently imports large quantities of feed corn at zero tariff under its autonomous quota. As a member of the World Trade Organization (WTO), Korea can legally discontinue this applied tariff reduction at any time and revert back to the WTO tariff of 3 percent for the first 6.1 million metric tons and 328 percent for any imports above this WTO quantity. With the trade agreement, the tariff on imports of U.S. feed corn will be locked in at zero.

The Trade Situation...

Korea is the third largest market for U.S. corn. From 2007 through 2009, U.S. suppliers shipped an annual average of 6.2 million tons of corn valued at \$1.4 billion. The U.S. share of Korea's import market has varied (e.g., 54 percent in 2007, 94 percent in 2008, and 81 percent in 2009). Korea gets its corn from a variety of sources from one year to the next. For example, Korea imported \$613 million of corn from China in 2007, but only \$447,000 in 2009.

The Current Market Access Situation...

U.S. feed corn enters Korea through tariff-rate quotas ranging from 2.15 to 8.0 million tons (depending on end use) and applied tariffs from zero to 3 percent. Once Korea fills its global WTO quota at a 3-percent tariff, the WTO allows Korea to charge as much as a 328-percent tariff on any quantity above that amount.

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